

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Deputy Director/Intelligence
SUBJECT: Comments on the Pravda Article Reviewing
Your Testimony to the Subcommittee on
Economic Statistics of the Joint Economic
Committee

1. This memorandum is for your information only. It comments on a 28 November Pravda review of your recent Congressional testimony on Soviet economic growth.
2. The Pravda article apparently was published to make propaganda mileage domestically. Statements in your testimony which were unfavorable to the Soviets were largely omitted; in contrast, your comments on the rapid rate of Soviet economic progress were reproduced in full. Additionally, the article makes five specific so-called "remarks", which are discussed in the following paragraphs.
3. The first of these remarks concerns your statement that the official Soviet index of industrial production understates output in 1913 relative to that of the United States. Pravda admits that

you are correct in citing Strumilin's criticism of the official index; however, the article goes on to say that Khrushchev presented data similar to Strumilin's in a 25 July speech, which we had not seen. Perhaps the USSR has decided gradually to abandon the exaggerated claims of Soviet industrial growth from 1913 to 1958, and took a step in this direction at this time since a propaganda point could be made. However, the most current economic handbook, approved for publication in August 1959, still carries the more exaggerated claims and Soviet speakers continue to use them. Khrushchev himself, in a talk to the Economic Club in New York in September included a statement based on the same data which Pravda chided you for using.

4. The second remark is presented as a rebuttal of the statement in the testimony that USSR industrial production is about 40 percent of that of the U.S., not 50 percent as the Soviets claim. In support of this claim, Pravda presents comparative U.S. and USSR production statistics on a limited number of commodities, omitting all commodities such as automobiles, washing machines, and TV sets, where the comparison would be unfavorable to the Soviets. The article further bolsters the 50 percent claim by citing comparative electric power consumption which, it says, "in the USSR was a little less than half (that) in the U.S." The official

statistics show Soviet electric power consumption by industry to have been 46 percent of that in the U.S. in 1958, a year when our industrial consumption of power declined 13 billion kwh because of the recession. These are interesting statistics, but they neither prove nor disprove the statements made in your testimony, which in turn rested on the most comprehensive collection of comparative U.S. and USSR production data possible, not on a biased sample.

5. Pravda's third remark centers on future U.S. growth trends. It presents a set of U.S. industrial growth rates for various years to show that Mr. Khrushchev's selection of a 2 percent average annual industrial growth rate for the U.S. in the future is extremely fair. In your testimony you assumed a 4.5 percent rate for U.S. future industrial growth to illustrate where the Soviets might stand by 1970 in their race to catch up with the U.S. You may be interested that the revised Federal Reserve Board index, soon to be published, will show U.S. industrial production, 1948-56, to have increased at an annual rate of 4.7 percent.

6. The fourth remark concerned itself briefly with the statement by you that Bloc industrial output amounts to about one-quarter of world industrial output rather than the one-third claimed by the USSR. The refutation consisted of a list of eight commodities--pig iron,

steel, tractors, woolen fabrics, coal, sawed timber, unprocessed cotton fibres and grain--in which 1958 Bloc production ranged between one-third and one-half of world total output. This list, like that in the second remark, was selected on the basis of comparisons most favorable to the Bloc. It should be particularly noted that to obtain a list of even eight commodities Pravda included two not normally considered to be a part of "industrial production"--the subject of the comparison. These were grain and unprocessed cotton.

7. Remark number five alleges that Mr. Dulles "grossly exaggerates the difference between living standards" of the U.S. and USSR. Refutation of this point, however, is limited to comments on the low proportion of income paid as rent by the Soviet worker, free schooling and free medical aid. The section concludes with a standard Khrushchev promise of better things to come for the Soviet worker.

8. In selecting items from your conclusions, for example, Pravda omitted "The Communists are not about to inherit the world economically. But while we debunk the distortions of their propaganda. . . ." but added the balance of this conclusion of yours by stating that it is necessary "...to acknowledge honestly the

sobering results of the Soviet economic program and the astounding successes which they have achieved during the past decade."

OTTO E. GUTH
Assistant Director
Research and Reports

Distribution:

Orig. & 1 - Addressee

1 - DDCI

2 - DD/I

2 - AD/RR

- Ch/E

25X1A9a 1 - St/CS 25X1A9a

OAD/RR:OEGuthe/ [REDACTED] whx/8666 (3 Dec 59)